

ASIAN BUSINESS NEWS

China May Extend Power Cuts

**Manufacturers' Electricity Could Be Rationed Again,
Despite Big Capacity Gains**

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BEIJING -- Manufacturers in China could be hit with mandatory electricity cuts in 2005 for a third straight year, as a leading economic policy maker warned that huge capacity increases have failed to keep pace with sizzling power demand.

Ma Kai, head of the National Development and Reform Commission, said yesterday that electricity use has increased at speeds "rarely seen in China's history and unusual even in the world." In a report to the national legislature, which is holding its annual meeting, Mr. Ma's commission said China would continue to "implement a principle of guaranteeing power supply to some sectors, and restricting it for others to ensure the orderly supply and rational use of power."

Energy shortages have emerged as an area of complaint for global manufacturers that have flocked to China. Even the biggest have been subjected to government-imposed outages, particularly in summer months when air-conditioner use peaks. Some companies rely on diesel-power generators to keep operations humming, while others have switched production to nights and weekends, or stopped operations for days at a time.

The government is particularly concerned that surging power consumption means the economy is overheating. That risk has been stressed at this week's annual meeting of the national legislature, where Mr. Ma spoke to reporters. He said much of the rising power demand reflects industrialization of the economy, but some reflects "irrational" business activity that the government is trying to damp.

Inadequate power-plant capacity is expected to become less of a choke by late this year. Some 50.55 million kilowatt hours of capacity were added in 2004, and a similar amount will be added this year.

Analysts say coal supplies could emerge as the industry's bigger challenge. Plans to spend \$360 million to improve safety at China's mines, where thousands of miners die

each year, could temporarily slow coal output in some areas. Coal is China's biggest energy source.

Mr. Ma played down any suggestion that China's surging energy demands might be to blame for record global oil prices and surging commodity costs. He said \$50-a-barrel oil reflects "wars and political instability in some oil-exporting countries."

Mr. Ma also said China's demand benefits the world economy by contributing to growth in oil-exporting countries.

China's energy needs, coupled with its inadequate energy-production capacity, are prompting Beijing to explore overseas markets. The trends are also forcing policy makers to address China's record in using and conserving energy supplies. "One fact we can't avoid is the low efficiency and high waste," he said.

Separately, China's central-bank chief, Zhou Xiaochuan, said two major state-owned commercial banks, China Construction Bank and Bank of China, have cleaned up operations and are now "not too far away from" initial public offerings that could raise billions of dollars on overseas stock markets.